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Life and debt for olive growers

AS I SEE IT

By Marcus Goncalves
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The debt crisis continues to overwhelm Europe, and the prospects for countries most entrenched in debt, including Portugal, Italy, Greece, Spain and Ireland, are dismal. Worse, whether these countries voluntarily leave or are coerced to leave it is conceivable that Germany may opt to go solo. The not-so-popular George Soros argues that the euro crisis is far worse than earlier estimations, suggesting that it could eventually end up dissolving the European Union itself.

In a Berlin speech in late April, Mr. Soros indicated that the EU crisis casts a shadow on the global economy, a consequence of its own political evolution. He argues that the Maastricht Treaty, which led to the creation of the euro, and created what was commonly referred to as the pillar structure of the European Union, was fundamentally flawed, as it established a monetary union without a political one.

In essence, the euro was launched without any real democratic consultation or approval, intended by world leaders as political glue in the march toward pan-European sovereignty.

Whereas global analysts and the mainstream media seem to overlook much of this threat to the world's second largest reserve currency, the more immediate concern is the possibility that Germany will abdicate from the EU, causing the euro to plummet, which could subsequently trigger a major international monetary crisis.

The EU may survive with a few less olive growers — such as Portugal and Greece — but certainly not without

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the solid backing of Germany.

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History has shown us time and again that austerity breeds political disgust, particularly when imposed by outside powers.

While the world watches with hopeful expectations, for the first time in history, the synchronicity of the central banks of Europe, the U.K., China, India, Japan and the U.S. printing fresh money and increasing the base supplies of their respective countries, we seem to forget important historic facts about Germany and the eurozone. Namely, Germany was never sanguine about the euro from the onset. In fact, most Europeans were not. I view it more as a *quid pro quo* case, whereby Germans accepted the euro in exchange for France's support of Germany's post Cold War reunification. Trading the Deutschmark for the euro, by itself, did not equate logically.

The EU's dire situation provides Germany with an opportunity to augment its political influence in the region, and a return on its investment in the euro, by way of financial rescue packages to olive growers. However, if such efforts fail, as is likely the case, Germany will have no compelling reason to remain with the EU, since Europeans are already becoming resentful of Germany and the EU.

History has shown us time and again that austerity breeds political disgust, particularly when imposed by outside powers. A pro-German government in Holland has already fallen in local elections, and former French President Sarkozy lost ground in his re-election campaign, and eventually lost the election, precisely due to his perceived support of German policy. Then there are the German people, who resist the idea of seeing their hard-earned money squandered on people who refuse to tighten their belts.

Notwithstanding, the central bank's printing of money and Germany's financial packages are not ameliorating the situation. On the contrary, the olive growers are not alone, with many other countries already in recession, including Slovenia, Italy, the Czech Republic, Ireland, Denmark, Netherlands, Belgium and the UK.

Whether the euro endures, Europe, and especially the olive-growing countries, are facing a long period of economic stagnation. We have witnessed Latin American countries suffer a similar fate in the early 1980s, and Japan, which has been in stagnation for almost a quarter-century.

While they have survived, the eurozone situation is graver, as the EU is not a single country but rather a union of many, and the lingering deflationary debt trap threatens to destroy a still nascent political union.

Only when a friendlier monetary policy and a milder fiscal austerity is proposed, will the euro remain strong, which will weaken the eurozone's exports competitiveness, and drag the recession to even lower levels, while forcing more eurozone countries to restructure their debts, which may cause some of them to ultimately exit the euro.

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